

Message Text

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 4430

S E C R E T CAIRO 5676

EXDIS

E.O. 11652: GDS

TAGS: MASS EG US

SUBJECT: AMC VEHICLE SALES AND PRODUCTION IN EGYPT

REF CAIRO 5486

1. AMERICAN MOTORS COMPANY INTERNATIONAL (AMC) REPRESENTATIVE TODD CLARE MET JUNE 3 WITH DCM AND ARMY ATTACHE TO REPORT RESULTS OF HIS DISCUSSIONS WITH EGYPTIAN MILITARY AUTHORITIES CONCERNING PRESENT AND FUTURE SALES OF AMC JEEPS AND FIVE TON 6X6 TRUCKS. CLARE SAID THAT AMC HAD DELIVERED 1,050 JEEPS TO EGYPTIAN ARMY AND WOULD BE PROVIDING 350 MORE TO MINISTRY OF INTERIOR. HE INDICATED THERE WERE PROSPECTS FOR A FOLLOW-ON ORDER WITH ARMY FOR ANOTHER 1,000 JEEPS.

2. HIS PRINCIPAL DISCUSSIONS CONCERNED POSSIBLE SALE BY AMC OF 1,000 FIVE TON 6X6 MILITARY TRUCKS. CLARE EXPRESSED PLEASURE AT INFORMATION RE EXPECTED FAVORABLE ACTION OF US AGENCIES CONCERNED RE EQUIPMENT SALES WHICH DCM HAD PASSED ON TO HIM, PER INSTRUCTION. AN INITIAL CONTRACT, WHICH HAD NOT ACTUALLY BEEN SIGNED, HAD TO BE RENEGOTIATED FOR A VARIETY OF REASONS, BUT HE EXPECTED THAT AMC WOULD RECEIVE A SUBSTANTIAL ORDER, CERTAINLY NOT LESS THAN 500 TRUCKS. A PROTOTYPE OF THIS TRUCK WOULD ARRIVE IN EGYPT WITHIN SIXTY DAYS AND, IF IT WERE FOUND

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TO MEET EGYPTIAN REQUIREMENTS, CONTRACT COULD THEN

BE NEGOTIATED.

3. CLARE ALSO REPORTED ON POSSIBLE OPPORTUNITY FOR AMC TO PARTICIPATE IN NEW ARAB ARAMAMENT COMPANY, LIMITED, WHICH IS APPRENTLY TO BE FORMED UNDER ARAB MILITARY INDUSTRIALIZATION ORGANIZATION, RECENTLY ESTABLISHED BY EGYPT, SAUDI ARABIA, QATAR AND UNITED ARAB EMIRATES. THIS ARAB EFFORT TO ORGANIZE ITS OWN PRODUCTION OF SOPHISTICATED WEAPONS AND EQUIPMENT WOULD HAVE THE FOLLOWING DIVISIONS: AIRCRAFT, ELECTRONICS (COMMUNICATIONS AND ELECTRONIC CONTROL SYSTEMS), VEHICLES, AND SHIPS.

4. FIRST ELEMENT TO BE SET UP WOULD BE VEHICLE DIVISION AND, ALTHOUGH AMC HAS NOT RECEIVED A SPECIFIC INVITATION, ACCORDING TO CLARE, IT IS BEING CONSIDERED AS PRIME CONTRACTOR IN THIS DIVISION. AIM OF THIS ARAB EFFORT IS TO CONSTRUCT 10,000 JEEPS A YEAR AND 6,000 FIVE TON 6X6 TRUCKS. THIS WOULD BE ESSENTIALLY AN ASSEMBLY OPERATIONS WITH EVENTUAL USE OF UP TO TWENTY PERCENT OF LOCALLY PRODUCED COMPONENTS. TERMS OF PARTICIPATION WOULD PROBABLY REQUIRE AMC TO TAKE 15 PERCENT EQUITY OF \$20 MILLION CAPITALIZATION. THIS EQUITY COULD BE LARGELY IN FORM OF TOOLS AND EQUIPMENT.

5. TIMETABLE FOR THE CONSTRUCTION OF VEHICLE FACTORY WOULD CALL FOR COMPLETION OF THE FEASIBILITY STUDY WITHIN 17 WEEKS AFTER CONTRACT SIGNING, AND ALLOWING 6-9 MONTHS FOR PLANT CONSTRUCTION PRODUCTION OF FIRST VEHICLE WOULD TAKE PLACE ONE YEAR AFTER COMPLETION OF CONSTRUCTION. WHILE NORMAL ASSEMBLY KNOCK-DOWN KITS DO NOT INCLUDE TIRES, BATTERY AND GLASS, THESE WOULD PROBABLY ALSO HAVE TO BE PROVIDED IN EGYPT. ALL IN ALL, THREE AGREEMENTS WOULD PROBABLY BE INVOLVED: (A) LICENSING, B) ASSEMBLY, AND (C) TECHNICAL ASSISTANCE.
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